

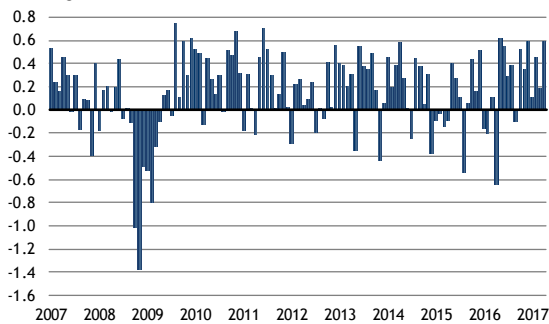
## CURRENT TRENDS UPDATE – CANADA

Update - August 9, 2017

### Overview and highlights

#### Real GDP

% change, month-over-month



Source: Statistics Canada

- ▲ Canadian GDP jumped a much stronger than expected 0.6% in May marking the 7th consecutive month of increases.
- ▲ Canadian employment rose consistently over the first half of the year and last month was no different with 11k jobs added in July.
- ▲ Nominal retail sales in May rose a stronger than expected 0.6% following gains of 0.7% and 0.6% in April and March, respectively.
- ▲ The 222k (annualized rate) housing starts in July was above the average 215k over the first half of the year which already was well-above most estimates of the underlying rate of household formation.
- ▲ The \$3.6 billion June deficit is much larger than expected and within spitting distance of the record \$4.3 billion shortfall posted in September 2016.
- ▲ The year-over-year rate of headline CPI inflation fell to its lowest level since October 2015 at 1.0%.

### Canada's May GDP soars despite Quebec construction strike

Latest available: May  
Release date: July 28, 2017

Canadian GDP jumped a much stronger than expected 0.6% in May marking the 7th consecutive month of increases. The upward surprise was mainly concentrated in the mining sector as it soared 4.6% in the month. There was an expected return of an oil sands upgrader after a temporary shutdown starting in March but the strength went well beyond this factor and occurred despite oil prices remaining moderately weaker than expected. A year ago this sector was hammered by the Alberta wildfires and widespread shutdowns of oil sands production facilities. Eliminating the upward impact of the mining sector GDP growth would still have increased a solid 0.2% despite a one-week construction strike in Quebec that subtracted about 0.1 percentage point from overall monthly growth. Thus today's report is indicative of solid growth persisting in the Canadian economy through the second quarter.

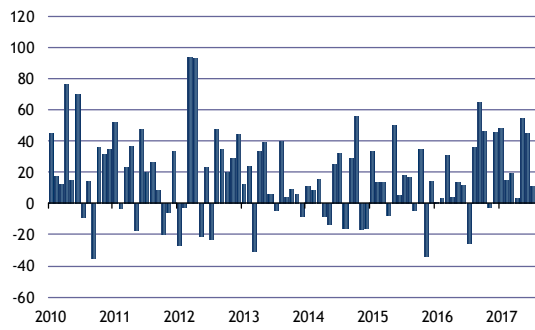
### Economy at a glance

	Lastest month	% change from	
		Previous month	Year ago
Real GDP	May	0.6	4.6
Industrial production	May	2.5	12.6
Employment	Jul	0.1	2.1
Unemployment rate*	Jul	6.3	7.0
Manufacturing			
Production	May	1.1	5.2
Employment	Jul	0.8	3.1
Shipments	May	1.1	8.7
New orders	May	-3.6	3.7
Inventories	May	-0.2	5.7
Retail sales	May	0.6	7.3
Car sales	May	5.8	11.3
Housing starts (000s)*	Jul	222.3	195.7
Exports	Jun	-4.3	12.4
Imports	Jun	0.3	10.4
Trade balance (\$billions)*	Jun	-3.6	-4.0
Consumer prices	Jun	-0.1	1.0

\* Levels are shown for the latest period and the same period a year earlier.

## Employment

Change in thousands, month-over-month



Source: Statistics Canada

## Unemployment rate

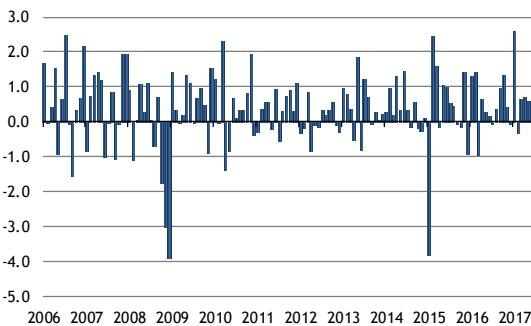
% of labour force



Source: Statistics Canada

## Retail sales

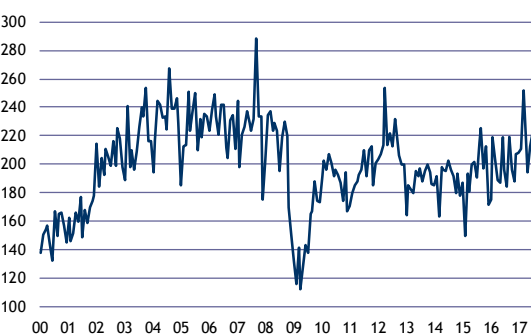
% change, month-over-month



Source: Statistics Canada

## Housing starts

Thousands



Source: Canadian Mortgage and Housing Corporation

## Canada's economy continued to create jobs in July

Latest available: July

Release date: August 4, 2017

Canadian employment rose consistently over the first half of the year and last month was no different with 11k jobs added in July. The average monthly increase of 28k year-to-date is well above the pace needed to absorb new entrants into the labour force, pushing the unemployment rate down to 6.3% in July from 6.9% at the end of last year. Strong job gains are consistent with above-trend growth in the economy. We are monitoring a 3.7% increase in Q2 GDP, which would match the previous quarter's gain and make Canada the growth leader among its G7 peers.

## Canadian retail sales continue to rise strongly in May

Latest available: May

Release date: July 21, 2017

Nominal retail sales in May rose a stronger than expected 0.6% following gains of 0.7% and 0.6% in April and March, respectively. The increase was boosted by a stronger-than-expected 2.4% surge in motor vehicles sales that more than offset gasoline station receipts dropping a smaller than expected 0.6%. Sales volumes rose 1.1% following a 0.2% drop in April and a 1.3% surge in March.

## Canadian housing starts unexpectedly rose further in July

Latest available: July

Release date: August 9, 2017

New Canadian homebuilding remained very strong to kick off the second half of 2017. The 222k (annualized rate) housing starts in July was above the average 215k over the first half of the year which already was well-above most estimates of the underlying rate of household formation. Much of the recent strength has been concentrated in B.C. where starts have rebounded back close to record highs after slowing late last year. New building activity has also been trending modestly higher in the prairies, Quebec, and the Atlantic provinces though.

## Canada's trade deficit widened sharply in June but details better

Latest available: June

Release date: August 4, 2017

The \$3.6 billion June deficit is much larger than expected and within spitting distance of the record \$4.3 billion shortfall posted in September 2016. Nonetheless, as is often the case with the volatile (and revision prone) trade data, details were significantly 'less-weak' than the headline would suggest. Much of the plunge in exports was concentrated in a price-related 9% decline in energy exports and a 15% decline in metal and non-metallic mineral products. The latter reflected an unwind of a large increase in May that Statistics Canada attributed to increased gold transfers in the banking sector.

## Canadian inflation showed some signs of stabilization in June

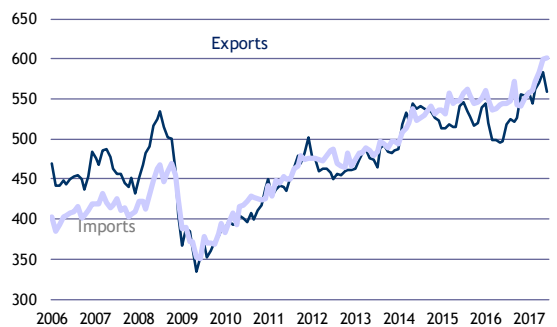
Latest available: June

Release date: July 21, 2017

The year-over-year rate of headline CPI inflation fell to its lowest level since October 2015 at 1.0%. Energy prices declined as the price of gasoline fell. Year-over-year food price growth inched back into positive territory for the first time last September. Excluding the food and energy components, annual price growth held steady at 1.4% marking the first time in five months the measure has not moved lower. Two of the Bank of Canada's three preferred core measures ticked higher but all remained below the bank's 2% inflation target.

### Merchandise trade

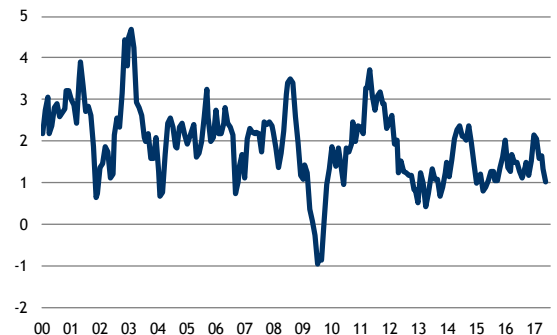
C\$ billions, annualized



Source: Statistics Canada

### Consumer price index

% change, year-over-year



Source: Statistics Canada

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